

CITY OF HOUSTON
REQUEST FOR PROPOSAL (RFP)
LIQUIDITY FACILITY
SOLICITATION NO.: T25686

Date Issued: February 1, 2016

Solicitation Due Date: Tuesday, February 9, 2016 @ 2:00 P.M., CST

Solicitation Contact Person: Shannon Pleasant
shannon.pleasant@houstontx.gov
(832) 393-8741

Project Summary: The City of Houston, Texas (the "City") is seeking proposals from qualified financial institutions to provide one or more separate liquidity facilities:

- CUS 2004B-2 for \$100 million
- CUS 2004B-4 for \$75 million
- CUS 2004B-5 for \$100 million

NIGP Code: 94-656

MWBE Goal: 0%



Carolyn Hanahan, Acting Chief Procurement Officer



Date

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PART I – GENERAL INFORMATION

A. General Information

The City of Houston, Texas (the "City"), is seeking proposals from qualified financial institutions to provide one or more separate liquidity facilities to cover its Combined Utility System's (the "System") existing \$100 million adjustable rate bonds Series 2004B-2 , \$75 million Series 2004B-4, and \$100 million Series 2004B-5. The anticipated amount of the facility or facilities should also cover any required amount of interest coverage (calculated at the maximum rate of 10 percent, for 35 days if for a liquidity facility and 45 days if for a direct-pay letter of credit).

B. City of Houston Background

The City of Houston is the fourth largest City in the United States comprising 23 departments with multiple locations throughout the City. The City has approximately 23,000 employees with approximately 500 employees involved in the procurement and/or contracting process. Contracts where the City must pay in excess of \$50,000 are routed to City Council for approval. The annual volume of contracts and purchase orders issued in the City in the last five years has ranged from 19,000 to 23,000.

As a point of reference, prospective proposers may refer to the City's Procurement Manual and corresponding Purchasing Manual (currently under revision) for current processes. The manuals can be accessed at <http://purchasing.houstontx.gov/docs/SPD%20Procurement%20Manual.pdf> and http://purchasing.houstontx.gov/docs/Procurement_Manual.pdf. The City is looking for additional opportunities to streamline its processes through the implementation of technology.

C. Solicitation Schedule

Listed below are the important dates for this Request for Proposal (RFP).

<u>EVENT</u>	<u>DATE</u>
Date of RFP Issued	February 1, 2016
Questions from Institutions Due	February 4, 2016 3:00 PM CST
Proposals Due from Proposers	February 9, 2016 2:00 PM CST
Notification of Intent to Award	February 11, 2016 (Tentative)
Council Agenda Date	March 9, 2016 (Tentative)
Contract Start Date	March 31, 2016

PART II – SCOPE OF WORK

A. Purpose

The City of Houston ("City") is soliciting proposals from firms ("Proposer(s)") with an established history of expertise to provide a credit facility or facilities to support the System's existing adjustable rate bonds listed above. Proposer may include various term lengths for one or more of the three facilities at their firm's discretion, along with fee structures as they relate to each proposed term. The City would prefer that proposals include an "evergreen" provision with periodic credit review, so that the City will always have at least four months remaining on the term of the facility. If the Proposer(s) would only be willing to make a commitment for a lesser amount than the full size of any one of the three programs, the City will entertain two (2) or more separate credit facilities. A Proposer may submit proposals for one or more of the three separate liquidity facilities.

B. Specification of Services

Issuer:	City of Houston, Texas (see Security, below)
Facility:	Letter of credit, stand-by bond purchase agreement, or other similar facility.
Facility Amount:	A commitment covering the principal amount of \$100 million for Series 2004B-2, \$75 million for Series 2004B-4, or \$100 million for Series 2004B-5, collectively the “Bonds”, plus required interest coverage at the maximum rate of the facility (10%) for the number of days required by the rating agencies (expected to be 35/45 days for a liquidity facility and direct-pay letter of credit, respectively).
The Bonds:	The Bonds were initially issued in 2004 in an auction rate mode and were subsequently converted to a weekly mode in 2008. In connection with the issuance of the Bonds in 2004, the City entered into a Qualified Hedge Agreement (Series 2004B Qualified Hedge Agreement) whereby the City pays a fixed rate of 3.7784% and receives a floating rate equal to 57.6% of One-Month LIBOR plus 37 basis points.

Security:	<p>The Bonds are special obligations of the City payable from and secured by a lien on Net Revenues as collected and received by the City from the operation and ownership of the Combined Utility System. <i>The lien on Net Revenues securing the Series 2016B Bonds is subordinate to the lien securing the Previous Ordinance Bonds.</i></p> <p>In the Master Ordinance, the City covenants and agrees that Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds established by the Master Ordinance after satisfying any requirements of the Previous Ordinance, including the payment of all Required Payments. For so long as any Previous Ordinance Bonds remain Outstanding, the City covenants and agrees that Gross Revenues (as defined under the Previous Ordinance) shall be applied in the manner set forth in the Previous Ordinance to provide for the payment of all Required Payments, and then Gross Revenues shall be applied in the manner set forth in the Master Ordinance to provide for the payment of all remaining Maintenance and Operation Expenses that have not been paid as Required Payments. See "REQUIRED PAYMENTS UNDER PREVIOUS ORDINANCE." The Master Ordinance provides that resulting Net Revenues are to be applied to the payment of principal of, interest on and any redemption premiums on the First Lien Bonds, any parity System Obligations under Qualified Hedge Agreements and Credit Agreements and all expenses of paying same and then provides for the disposition of the remaining Net Revenues in accordance with the Master Ordinance.</p> <p>First Lien Bonds, including the Bonds, are special obligations of the City that are payable solely from and (together with parity Qualified Hedge Agreement and Credit Agreement obligations) are equally and ratably secured by a first lien on the Net Revenues as collected and received by the City from the operation and ownership of the Combined Utility System. The Master Ordinance provides that Net Revenues are required to be set aside in the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund for and pledged to the payment of the First Lien Bonds and parity System Obligations, and the First Lien Bonds are, in all respects, on a parity with and of equal dignity with one another, except that the City may elect that one or more series of Additional Bonds issued as First Lien Bonds will not share in the benefits of the First Lien Bond Reserve Fund.</p> <p>THE SERIES BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE CITY AND ARE NOT PAYABLE FROM ANY FUNDS RAISED OR TO BE RAISED BY TAXATION. OWNERS OF THE FIRST LIEN BONDS, INCLUDING THE BONDS, SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF FROM THE LEVY OF AD VALOREM TAXES OR FROM ANY OTHER SOURCE NOT PLEDGED TO THE PAYMENT OF THE FIRST LIEN BONDS.(Capitalized terms are defined in the most recent Offering Circular dated March 25, 2013, which can be found at: http://emma.msrb.org/EA516016-EA402488-EA799513.pdf)</p>
Termination:	<p>Upon the occurrence of certain agreed events, and after an agreed period of time, the City would like to have the right to terminate the facilities at any time, in whole or in part, upon thirty (30) days' notice to the provider, without any additional cost to the City. The City seeks the ability to terminate the facilities without penalty upon a credit event of the facility provider that adversely affects the rating or the trading of the related adjustable rate bonds backed by that facility, and upon a claim by the bank for increased costs or capital adequacy protection. If the long-term rating of the credit provider falls below money-market eligible ratings, then the City would have a right to terminate at any time without penalty. The City requests respondents to provide the terms that would be acceptable.</p>
Events of Default	<p>The City requests details regarding (a) standard events of default and (b) special events of default as to bankruptcy, non-payment of debt and breaches of covenants. A City ratings downgrade or loss of tax-exempt status for the Bonds may not constitute an event triggering automatic termination of the facility.</p>

Covenants:	The City requests standard covenants as to maintenance of existence, licenses, permits and records, maintenance of tax-exempt status of the facility, and no amendments to the authorizing ordinance without prior written consent.
Legal Opinions:	The City requests legal opinions relating to the enforceability of the facility from U.S. counsel and from foreign counsel where appropriate.
Schedule:	The City is targeting February 10, 2016 as a date by which to choose a firm or firms to begin negotiations towards the final agreements. The City expects to move as quickly as possible to put the new facilities into place, following selection.

To assist you in preparing responses, we refer you to the City's website for the latest annual financial reports. Those can be found at: <http://www.houstontx.gov/controller/cafr.html>. Further financial information for the City may be found on the City's website, including monthly financial data. Monthly reports, and other data, can be found at: <http://www.houstontx.gov/budget/>.

By responding to this RFP, each Proposer(s) affirms that it understands this RFP and has sufficient knowledge of the scope, nature, quality and amount of work to be performed.

Payment of all fees and expenses (including Proposer(s) counsel fees, if any) by the City are contingent upon the final approval of the credit agreement transcript of proceedings by the Attorney General of Texas (if applicable) as well as by the City Council of the City, and that the laws of the State of Texas will govern the obligations of the City. Proposals will be evaluated on the basis of costs, as well as on the terms and conditions of the facilities, and the impact, if any, on the marketability and ratings of the Bonds. Any necessary credit approvals required by your bank should be completed upon the submission of your response or the process for approval should be described in the response. The City reserves the right to further interview a limited number of banks in order to select the bank with which the City will enter into negotiations and execute an agreement. The City reserves the right to waive technicalities or irregularities in proposals at its discretion or to reject any or all proposals.

If your firm is interested in providing a bank facility for the Bonds as outlined above, please complete a term sheet which addresses the following items:

1. Provide the contact details for the main point of contact for the respondents.
2. Provide the term(s) of the facility or facilities (including any alternatives that you wish to propose), all fees for each respective term, the options available to the City for extending the facility or facilities beyond the initial term, and the level of review and any related costs required by the respondent to extend the initial term or to revise the initial fee structure.
3. Identify the respondent's counsel (who must be acceptable to the City), indicate whether the City is expected to pay for such services, and detail their fees and expenses separately, including a cap on such fees and expenses. (No legal fees or expenses will be paid to counsel for any participating banks, if any.) When specifying counsel, please identify both the firm and the individual or individuals expected to represent the respondent.
4. Detail the other costs associated with providing the proposed facility or facilities, including start-up fees, administrative fees, commitment fees, and expenses, if any. The City will consider each proposed term along with its associated fees in making its selection.
5. Describe the interest rate on borrowings, if any, under the bank facility or facilities and the interest rate in the event of default. Indicate the cost for draws with same-day reimbursement.
6. Discuss the terms for conversion into a term loan for amounts not paid within a stated period and for amounts outstanding at the expiration of the bank facility or facilities.

7. Itemize the conditions precedent to draws, including any cost of funding such draws.
8. Describe the respondent's long-term and short-term credit ratings and discuss the current status of these ratings.
9. Describe the provisions for and costs, if any, to the City resulting from a decision by the City to terminate the facility or facilities earlier than the stated maturity.
10. Describe any "favored nations" requirements, including the scope of what the requirements would cover.

PART III – REVIEW AND SELECTION PROCESS

A review committee will evaluate responsive proposals in accordance with the evaluation criteria listed below. The review committee reserves the right to issue letter(s) of clarification when deemed necessary to any or all Proposer(s).

A. Selection Process

Upon review of all information provided by the proposers, the review committee will make a recommendation for selection to City officials. The City reserves the right to check references on any projects performed by the proposer whether provided by the proposer or known by the City. Selected proposal will be submitted for approval by the appropriate City officials. The City of Houston intends to select response(s) that best meet the needs of the City and provides the overall best value. Upon approval of the selected Proposer(s), a contract will be executed by the appropriate City officials.

B. Review Criteria

1. Responsiveness of Proposal

Proposal shall be responsive to all material requirements that will enable the review committee to evaluate responses in accordance with the review criteria so as to make a recommendation to City officials.

2. Technical Competence

The City's review committee will review the submissions in accordance with the extent to which the following elements best meet the requirements of the City:

- Structure and type of facility offered
- All-in costs
- Past performance*
- General market information*

**The City will obtain information on past performance and general market information from its own sources.*

All submittals will be evaluated on the basis of costs, as well as on the terms and conditions of the facility or facilities, and the expected impact, if any, on ratings.

PART IV – SUBMISSION OF PROPOSAL

A. Instructions for Submission

1. Format: Proposals should be submitted electronically with the solicitation number in the subject line via email to the following:

Shannon Pleasant, shannon.pleasant@houstontx.gov

The City of Houston shall bear no responsibility for submitting responses on behalf of any Proposer. Proposer(s) may submit their responses any time prior to the stated deadline.

2. Time for submission: Proposals shall be submitted no later than the date and time indicated for submission in this RFP. Late submittals will not be considered.
3. Complete submission: Proposers are advised to carefully review all the requirements and submit all documents and information as indicated in this RFP. Incomplete proposals may lead to a proposal being deemed non responsive. Non-responsive proposals will not be considered.
4. Timely delivery of Proposals: The Proposal, including the Technical Proposal, the Pricing Proposal and signed Contract, must be received by the stated deadline. Include the RFP number on any correspondence related to the Proposal.
5. Late Proposals: The proposer remains responsible for ensuring that it's Proposal is received at the time and date specified. The City assumes no responsibility for any Proposal not so received, regardless of circumstance.

B. Submission Requirements

1. Cover letter: The cover letter shall be signed by an authorized representative of the Proposer. The letter should indicate the Proposer's commitment to provide the services proposed. In addition, the cover letter shall identify the members of the team that comprise the Proposer. Indicate the organizational relationship of the team members.
2. Forms and Certifications: Complete all forms and certifications attached, as appropriate.

Part V – SPECIAL CONDITIONS

A. No Contact Period

Neither Proposer(s) nor any person acting on Proposer(s)'s behalf shall attempt to influence the outcome of the award by the offer, presentation or promise of gratuities, favors, or anything of value to any appointed or elected official or employee of the City of Houston, their families or staff members. All inquiries regarding the solicitation are to be directed to the designated City Representative identified on the first page of the solicitation. Upon issuance of the solicitation through the pre-award phase and up to the date the City Secretary publicly posts notice of any City Council agenda containing the applicable award, aside from bidder's formal response to the solicitation, through the pre-award phase, written requests for clarification during the period officially designated for such purpose by the City Representative, neither Proposer(s) nor persons acting on their behalf shall communicate with any appointed or elected official or employee of the City of Houston, their families or staff through written or oral means in an attempt to persuade or influence the outcome of the award or to obtain or deliver information intended to or which could reasonably result in an advantage to any bidder. However, nothing in this paragraph shall prevent a bidder from making public statements to the City Council convened for a regularly scheduled session after the official selection has been made and placed on the City Council agenda for action, or to a City Council committee convened to discuss a recommendation regarding the solicitation.

B. Equal Opportunity Employment

The City of Houston Ordinance Section 15-17 establishes Equal Employment Opportunity Contract Compliance requirements for all City of Houston contracts involving the expenditure of Fifty Thousand Dollars (\$50,000) or more. Any contract for professional services that results from this RFP will provide that the failure to carry out the requirements set forth in the City of Houston Equal Employment Opportunity Program shall constitute a breach of

contract and may result in termination of the agreement or contract. In addition, the City may take any such additional remedy as deemed appropriate.

C. Protests

A protest shall comply with and be resolved, according to the City of Houston Procurement Manual http://purchasing.houstontx.gov/docs/Procurement_Manual.pdf and rules adopted thereunder. Protests shall be submitted in writing and filed with both, the City Attorney and the Solicitation contact person. A pre-award protest of the RFP shall be received five (5) days prior to the solicitation due date and a post-award protest shall be filed within five (5) days after City Council approval of the contract award.

1. A protest must be filed in accordance with the timing requirements set forth herein and must include:
 - a. the name, address, telephone number and email address of the protestor;
 - b. the number of the solicitation;
 - c. all information confirming that the protestor is an interested party;
 - d. a written statement of the grounds for the protest and the law, ordinance, or policy alleged to have been violated. The statement should be accompanied by relevant supporting documentation and the relief requested.
 - e. all information confirming the timeliness of the protest; and
 - f. the signature of the protestor

Protests shall be submitted to:

Shannon Pleasant
City of Houston
901 Bagby, B500
Houston, TX 77002

2. The City recognizes three types of protests:
 - a. Protests regarding solicitation (Pre-Bid Protest)
Any protest regarding a solicitation published by the City shall be filed no later than five (5) days before the opening of bids (if a competitive bid) or due date for submittals or proposals (if an RFP/RFQ), as appropriate. Any protest filed after the due date raising issues regarding the solicitation will not be considered.
 - b. Protests regarding the evaluation of bids, qualifications, or proposals (Pre-Award Protest). Any protest regarding the evaluation of bids, qualifications, or proposals by the City must be filed no later than ten (10) days after: opening of bids (if a bid); or due date (if RFQ/RFP); or notification that the interested party's bid or proposal has been rejected. Any protest received after the deadline will not be considered.
 - c. Protests regarding award of contract (Post-Award Protest)
Upon receipt of a timely and properly filed protest regarding the award of a contract, the City will not issue a notice to proceed or submit an order for goods until the protest has been resolved, provided such delay will not be detrimental to the interests of the City.

PART VI – INSTRUCTIONS TO PROPOSERS

A. Additional Information and Specification Changes

Requests for additional information and questions should be addressed to the Finance Department, Strategic Procurement Division Buyer Shannon Pleasant, telephone: (832) 393-8741, fax: (832) 393-8759, or e-mail to shannon.pleasant@houstontx.gov no later than 3:00 p.m., CST, February 4, 2016. The City of Houston shall provide written responses to all questions received in writing before the submittal deadline. Questions received from

all Proposer(s) shall be answered and sent to all Proposer(s) who are listed as having obtained the RFP. Proposer(s) shall be notified in writing of any changes in the specifications contained in this RFP.

B. Examination of Documents and Requirements

1. Each Proposer shall carefully examine all RFP documents and thoroughly familiarize themselves with all requirements prior to submitting a Proposal to ensure that the Proposal meets the intent of this RFP.
2. Before submitting a Proposal, each Proposer shall be responsible for making all investigations and examinations that are necessary to ascertain conditions and affecting the requirements of this RFP. Failure to make such investigations and examinations shall not relieve the Proposer from obligation to comply, in every detail, with all provisions and requirements of the RFP.

C. Exceptions to Terms and Conditions

1. All exceptions included with the Proposal shall be submitted in a clearly identified separate section of the Proposal in which the Proposer clearly cites the specific paragraphs within the RFP where the Exceptions occur. Any Exceptions not included in such a section shall be without force and effect in any resulting contract unless such Exception is specifically referenced by the City Purchasing Agent, City Attorney, Director(s) or designee in a written statement. The Proposer's preprinted or standard terms will not be considered by the City as a part of any resulting contract.
2. All Exceptions that are contained in the Proposal may negatively affect the City's Proposal evaluation based on the evaluation criteria as stated in the RFP, or result in possible rejection of Proposal.

D. Post-Proposal Discussions with Proposer(s)

It is the City's intent to commence final negotiation with the Proposer(s) deemed most advantageous to the City. The City reserves the right to conduct post-Proposal discussions with any Proposer(s).

PART VII – REQUIRED FORMS TO BE SUBMITTED WITH PROPOSAL

- A. Offer and Submittal
- B. Anti-Collusion Statement
- C. Hire Houston First Affidavit (Download Copy at <http://www.houstontx.gov/obo/hirehoustonfirst.html> and submit to Office of Business Opportunity, Houston Business Solutions Center via e-mail to houstonbsc@houstontx.gov or fax to 832-393-0650 or submit copy with qualifications.

OFFER AND SUBMITTAL

NOTE: PROPOSAL MUST BE SIGNED AND NOTARIZED BY AN AUTHORIZED REPRESENTATIVE(S) OF THE PROPOSER, WHICH MUST BE THE ACTUAL LEGAL ENTITY THAT WILL PERFORM THE CONTRACT IF AWARDED AND THE TOTAL FIXED PRICE CONTAINED THEREIN SHALL REMAIN FIRM FOR A PERIOD OF ONE-HUNDRED EIGHTY (180) DAYS.

"THE RESPONDENT WARRANTS THAT NO PERSON OR SELLING AGENCY HAS BEEN EMPLOYED OR RETAINED TO SOLICIT OR SECURE THIS CONTRACT UPON AN AGREEMENT OR UNDERSTANDING FOR A COMMISSION, PERCENTAGE, BROKERAGE, OR CONTINGENT FEE, EXCEPTING BONA FIDE EMPLOYEES. FOR BREACH OR VIOLATION OF THIS WARRANTY, THE CITY SHALL HAVE THE RIGHT TO ANNUL THIS AGREEMENT WITHOUT LIABILITY OR, AT ITS DISCRETION, TO DEDUCT FROM THE CONTRACT PRICES OR CONSIDERATION, OR OTHERWISE RECOVER THE FULL AMOUNT OF SUCH COMMISSION, PERCENTAGE, BROKERAGE OR CONTINGENT FEE."

Respectfully Submitted:

(Print or Type Name of Contractor – Full Company Name)

City of Houston Vendor No. (If already doing business with City): _____

Federal Identification Number: _____

By: _____
(Signature of Authorized Officer or Agent)

Printed Name: _____

Title: _____

Date: _____

Address of Contractor: _____

Street Address or P.O. Box

City – State – Zip Code

Telephone No. of Contractor: (____) _____

Signature, Name and title of Affiant: _____

(Notary Public in and for)

County, Texas

My Commission Expires: _____ day of _____ 20____

ANTI-COLLUSION STATEMENT

Anti-Collusion Statement

The undersigned, as Proposer, certifies that the only person or parties interested in this Proposal as principals are those named herein; that the Proposer has not, either directly or indirectly entered into any Agreement, participated in any collusion, or otherwise taken any action in restraint of free competitive bidding in connection with the award of this Contract.

Date

Proposer Signature